

EMPLOYEE HANDOUT/INFORMATION SHEET

DEPOSIT SERVICE

Fax-Back #267

What is deposit service?

Although you may be covered under the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS) now, you may have previous periods of Federal civilian employment during which no retirement contributions were withheld from your pay. Those periods of service are called **deposit service** or non-deduction service. Since retirement contributions were not withheld from your pay, the Government was not able to save and invest money over the years to help pay for the benefits you will receive when you are eligible to retire.

If you have deposit service or non-deduction service, you **may** have the option of making a payment (a **deposit**) to the Office of Personnel Management (OPM) to fully cover the period of service. If you pay the deposit, you will receive full credit towards retirement for the period of service.

Note: You cannot make a deposit for FERS non-deduction service performed on and after 1-1-1989. FERS deposit service on and after 1-1-1989 does not count towards retirement. You cannot make a payment to receive credit. FERS deposits are only allowed for service performed before 1-1-1989.

How do I know if I have deposit service?

If your work history includes non-permanent service under an appointment excluded from retirement coverage (see list below), you will have deposit service. There is one exception to these exclusions. If you were covered under either CSRS or FERS, and then you transferred to an excluded appointment without a break more than 3 days, you should have remained covered by the retirement system. This exception is called continuity of coverage.

Appointments excluded from the Civil Service Retirement System (CSRS) include:

- Temporary appointments (limited to 1 year or less);
- Temporary appointments pending establishment of a register (TAPER);
- TERM appointments;
- Indefinite appointments; and
- Intermittent appointments (unless you are also on a career or career conditional appointment).

Appointments excluded from the Federal Employees' Retirement System (FERS) include:

- Temporary appointments (limited to 1 year or less); and
- Intermittent appointments (unless you are also on a career or career conditional appointment).

You can find out which system you are in (or were in) by looking at block #30 on your SF-50, Notification of Personnel Action. If you have questions about your service history and retirement coverage, you should contact your servicing personnel office.

Can deposit service affect my retirement benefits?

Yes. If you do not pay a deposit to cover the period of deposit service, it will affect your retirement. An **unpaid deposit** may affect when you are eligible to retire and how much money you receive in **annuity payments**. An annuity payment is your monthly retirement benefit (check). Annuity payments start when you retire and are paid for the rest of your life. A reduction to your annuity payment amount is a life long reduction. Remember that if you pay the deposit, you will receive full retirement credit for the period of deposit service.

Retirement credit can be broken down into two categories:

- **Eligibility:** CSRS and FERS have different retirement eligibility requirements. Although there are many factors that affect whether you are eligible to retire, one factor is your length of service.
 - If you receive credit for eligibility for a period of service, the service counts towards meeting the length of service requirement for retirement (i.e., 30 years of service for voluntary retirement).
 - If you do not receive credit for eligibility for a period of service, the service will not count towards meeting the requirement for retirement. (So, you may have to work longer to be eligible to retire).
- **Computations:** CSRS and FERS have different annuity formulas which are used to calculate (or compute) the amount of your annuity payment. One factor in these formulas is your length of service. (**Note:** Your length of service for computations may be less than your length of service for eligibility).
 - If you receive credit for computations for a period of service, the service will be added to all other periods of creditable service to determine your total length of service. This total will then be used to compute the amount of your annuity payment.
 - If you do not receive credit for computations for a period of service, the service will not be used when calculating the amount of your annuity payment. (So, you will get less money).

The rules, which determine the affect of an unpaid deposit, are different depending upon whether the service would be creditable under CSRS or FERS.

What is the affect of an unpaid deposit under CSRS?

(See the CSRS deposit service chart at the end of this document.)

➤ If the unpaid deposit is for CSRS deposit service performed before 10-1-1982:

- Eligibility: you receive length of service credit for the period of deposit service.
- Computations: you receive length of service credit for the period of deposit service.
- Reduction: your annuity payment is permanently reduced. Your annual annuity payment amount is reduced by 10% of the unpaid deposit.

Example of 10% reduction:

Bob retires after 30 years of total service. His total service includes 2 years of deposit service performed before 10-1-1982. The deposit for this 2-year period is \$5,000. Bob is considering paying the deposit. His high-3 average salary is \$30,000.

If Bob pays the \$5,000 deposit, his annuity payment would be \$16,875 each year.
(With 30 years of service, he receives 56.25% of his \$30,000 high-3 average salary).

If Bob does not pay the \$5,000 deposit, his annuity payment would be reduced by \$500 each year. (10% of his \$5,000 unpaid deposit = \$500 permanent annual reduction). Bob's annuity payment would be \$16,375 each year.

➤ If the unpaid deposit is for CSRS deposit service performed on or after 10-1-1982:

- Eligibility: you receive length of service credit for the period of deposit service.
- Computations: you do not receive length of service credit for the period of deposit service.

Example of unpaid deposit service performed on or after 10-1-1982:

Susan retires after 30 years of total service. Her total service includes 2 years of deposit service performed on or after 10-1-1982. The deposit for this 2-year period is \$5,000. Susan is considering paying the deposit. Her high-3 average salary is \$30,000.

If Susan pays the \$5,000 deposit, her annuity payment would be \$16,875 each year.
(With 30 years of service, she receives 56.25% of her \$30,000 high-3 average salary).

If Susan does not pay the \$5,000 deposit, she will not receive credit in her annuity computations for the deposit service. Her annuity computations would be based on 28 years of service instead of 30. Her annuity payment for 28 years of service would be \$15,675 each year. (With 28 years of service, she receives 52.25% of her \$30,000 high-3 average salary).

What is the affect of an unpaid deposit under FERS?

(See the FERS deposit service chart at the end of this document.)

The basic FERS deposit rule is simple. **No Deposit. No Credit.** If you do not pay the deposit, you will not receive **any** credit towards retirement for the service (eligibility or computations).

Other points about FERS deposits:

- FERS deposits are only allowed for deposit service performed before 1-1-1989.
- FERS deposit service on and after 1-1-1989 is not creditable. The service does not count towards retirement (eligibility or computations). You are **not** allowed to make a deposit.
- If you **transferred to FERS** from CSRS or CSRS Offset, you should contact your servicing personnel office for more information. Special rules apply to determine if your service before becoming FERS will follow the FERS rules or if the service will follow the CSRS rules.

How much will the deposit cost?

The amount of your deposit is based on a percentage of the salary you earned during the period of deposit or non-deduction service, plus interest. Your servicing personnel office can prepare an **estimate** of the deposit amount owed.

- **The CSRS deposit** equals the amount of retirement deductions that would have been taken from your salary had you been covered by the retirement system, plus interest. (for example: 7% from January 1970 to December 1998, 7.25% in 1999, 7.40% in 2000, and 7% in 2001.)
- **The FERS deposit rate is 1.3 %** of the salary you earned during the period of deposit service (plus interest).

Deposit service creditable under the special retirement provisions will cost 0.5 % more.
(CSRS and FERS law enforcement officer / firefighter service or FERS air traffic controllers)

Why do I have to pay interest and how much will it be?

When you are covered by either CSRS or FERS, retirement contributions are withheld from your salary each pay period. Your agency also pays retirement contributions for all employees covered by CSRS or FERS. All the retirement contributions are sent to the Office of Personnel Management, then sent to the IRS to be deposited into the Civil Service Retirement and Disability Fund (the Fund). The Government invests the money in the Fund to help pay for the benefits you will receive when you are eligible to retire.

If you have deposit service, money has not been earning interest over the years to fund retirement benefits for that period of service. If your deposit did not include interest charges, it would not be enough to help pay for your retirement benefits.

Deposit service is subject to interest based on when the service was performed. Interest is charged each year there is an unpaid deposit balance (compounded annually).

- ? **4%** interest for periods of deposit service before 1-1-1948.
- ? **3%** interest for periods of deposit service from 1-1-1948 to 12-31-1984.
- ? **Variable interest rates** apply for deposit service after 12-31-1984 (rates listed below).

Variable Interest Rates

These rates are determined at the end of each year by the Secretary of the Treasury. The rates are based on the amount of interest the Government earned on investments that year.

<u>Year</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Interest Rate</u>
1985	13.000%	1994	6.250%
1986	11.125%	1995	7.000%
1987	9.000%	1996	6.875%
1988	8.375%	1997	6.875%
1989	9.125%	1998	6.750%
1990	8.750%	1999	5.750%
1991	8.625%	2000	5.875%
1992	8.125%	2001	6.375%
1993	7.125%	2002	5.500%

Note: If you have deposit service, which was performed before 10-1-1982, the variable interest rates are not charged. The 3% rate would continue to apply.

How do I make a deposit?

- Ask your servicing personnel office for an **estimate** of the deposit amount owed.
- If you intend to make a deposit, complete one of the following **forms** (depending on whether the deposit service is under CSRS or FERS).
CSRS Service - SF 2803, Application to Make Deposit or Redeposit, or
FERS Service - SF 3108, Application to Make Service Credit Payments for Civilian Service.
- Complete the front of the form and submit it to your personnel office. **Note:** if you plan to retire within 6 months, submit the form with your retirement application.
- Your personnel office completes the remainder of the form. They will also complete an "Agency Checklist" (RI 36-56 for CSRS or RI 95-1 for FERS). Both forms will be mailed to the Office of Personnel Management, Retirement Operations Center, Boyers, PA 16017.
- OPM computes the amount of your deposit (including interest) and mails you an official bill.

- You can pay the deposit in full or in installments of at least \$50.00. You cannot pay the deposit through payroll deductions, but you can arrange for electronic funds transfer (EFT) payments from your bank account to OPM.
- Each time you make a deposit payment, OPM will send you a receipt showing the new deposit balance. Keep these receipts for your records, because your deposit payments **will not** be reflected in the retirement contribution block of your Leave and Earnings Statements.
- Deposits may be paid before or after retirement, but before the final adjudication of your retirement claim. If the deposit is not paid in full before your retirement claim is finalized, OPM will send you a refund of the incomplete deposit (except incomplete deposits for CSRS deposit service performed before 10-1-1982).

